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USDOC FOR 532/OEA/LHINES/ADYSON
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR PATRICK SANTILLO
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: BMGT BEXP HK ETRD ETTC

SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION: PIONEER
ELECTRONICS CO. LTD. AND SPEED ELECTRONICS COMPANY

REF: A) USDOC 6053 B) USDOC 05618

1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

2 As per reflets A and B requests and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted post shipment-verifications (PSVs) at Speed Electronics Company, Room 1301-1303, 13/F Blissful Bldg, No 243-247, Des Voeus Road, Hong Kong (Speed) and Pioneer Electronics Co. Ltd. (Pioneer), at the same address. ECO has combined these two PSVs into one cable as the companies are related and collocated.

¶3. The items in question for the Speed check are 120 electronic integrated circuits exported to Speed on or about October 12, 2007 and valued at USD 2,160. On the applicable shippers export declaration (SED), these items are classified under export control classification number (ECCN) 3A001 and, if properly classified, would be controlled for national security (NS) reasons. Separate documentation provided by OEA shows these items to be classified under ECCN 3A991 resulting in control for anti-terrorism (AT) reasons. The exporter was America II Electronics of St. Petersburg, Florida.

¶4. The items in question for the Pioneer check are 1000 GB SDRAM valued at USD 5,500 and exported to Pioneer on or about April 2, 2008. On the applicable shippers export declaration (SED), these items are classified under export control classification number (ECCN) 3A001 and, if properly classified, would be controlled for national security (NS) reasons. The exporter was Advanced MP Technology of San Clemente, California.

¶5. According to the Hong Kong Companies Registry, Pioneer has been in existence since 2002. Its paid up share capital is the Hong Kong equivalent of USD 1250. The Hong Kong Companies Registry lists two mainland Chinese nationals as directors, namely Li, Xin (Passport number G22828797) and Xu, Cheng (Passport number G06784219). The companies registry lists neither director as a director in any other company in Hong Kong.

¶6. A review of the Pioneer's web site(www.pioneeric.com) reveals that Pioneer markets itself as a worldwide distributor of ICs and electronic components. It claims offices in Hong Kong, Korea and China. The web site is registered to Shenzhen Kai Xin Da Electronics Co. at 11A Li Ming Ge Zhong, Hai Li Yuan, Nan Shan, Shenzhen (phone number 86 755 13600160758)and the contact person is listed as Li, Xin (presumably one of Pioneer's directors listed above).

¶7. Several other companies also appear to be collocated with Pioneer (aside from Speed, addressed below), including S&G Accounting and Secretary, Ltd. (S&G). S&G appears to be a company registration office while other, apparently unrelated, companies use

the Pioneer address as a corporate mail-drop.

¶18. Speed Electronics does not appear to exist as a corporate entity in Hong Kong (at least on official corporate records). A company by that name was dissolved in 2004. The company does not appear to have a web presence.

¶19. On October 17, 2008, ECO, accompanied by Commercial Assistant, Carrie Chan, visited Pioneer and Speed and met with Mr. Ken Chan, Logistic Specialist for Pioneer. The office of the company is quite small and ECO noted roughly four staff in six cubicles in this one room office. Mr. Chan stated that Pioneer is the main company while Speed is, as he put it, just its purchasing arm. He further clarified that Speed does not actually exist but that it is used to keep Pioneer's reputation clear when dealing with new suppliers or customers. He stated that another company name is used in a similar fashion, namely Action Electronics. This entity is not registered but operates at the same address. ECO did not find this explanation to be credible.

¶10. Mr. Chan further stated that Ms. Grace Ho owns S&G. She is also the manager of the Pioneer office in Hong Kong. Mr. Chan confirmed that S&G provides corporate registration and other related services. Mr. Chan also stated that Shenzhen Ka Xin Da (the pioneeric.com domain holder) is the transliteration of Pioneer's Chinese name. When asked about a Mr. Emerson Zhou, who is listed as a consignee on another, unrelated, shipment, Mr. Chan stated that Mr. Zhou is an employee of Pioneer in Shenzhen.

¶11. Mr. Chan stated that Pioneer has been in operation for approximately seven years and has four to five employees in Hong Kong. Its main operations are in mainland China and typical customers are factories. Mr. Chan stated that he did not know the end applications of the products that Pioneer sells. He stated that

the salespeople in Shenzhen would have such information.

¶12. Mr. Chan stated that he was not aware of HK H&Q Electronics Technology (www.hqelectronicstech.com) or Saga Electronics, Ltd. Both are located in Hong Kong and their web sites contain several identical passages in their corporate descriptions as the Pioneer corporate description. ECO believes these are unrelated companies.

¶13. As to the specific items that were the subject of the Pioneer PSV, Mr. Chan stated that they had been transferred to Jennex Technology in Hong Kong (contact number in Shenzhen of 0755 8357 3221). He stated (and an internet search confirms) that Jennex is the Hong Kong affiliate of a customs clearance and electronics trading company based on mainland China (with a Hong Kong presence). Mr. Chan stated that the items were destined for mainland China but he was unable to provide any additional information on that point.

¶14. As to the items that were the subject of the Speed PSV, Mr. Chan provided documentation showing that these items had been sold and shipped to Plexus (Xiamen) Co. Limited for use in production of telecom equipment. Plexus is a worldwide contract manufacturer.

¶15. Based on the information noted above, ECO believes that both Speed and Pioneer are unsuitable recipients of U.S. origin controlled technology. ECO requests that OEA confirm the 3A001 classification of the shipment to Pioneer so that ECO may reach out to Hong Kong TID concerning a potential violation of Hong Kong's export control rules in connection with this shipment. ECO suspects neither Pioneer nor Speed is applying for the required Hong Kong licenses to ship controlled items through Hong Kong. Finally, ECO recommends that OEA conduct a thorough review of all shipments to Speed, Pioneer and Action Electronics.